

*Annual Report
To Stockholders
Dec. 31, 1941*

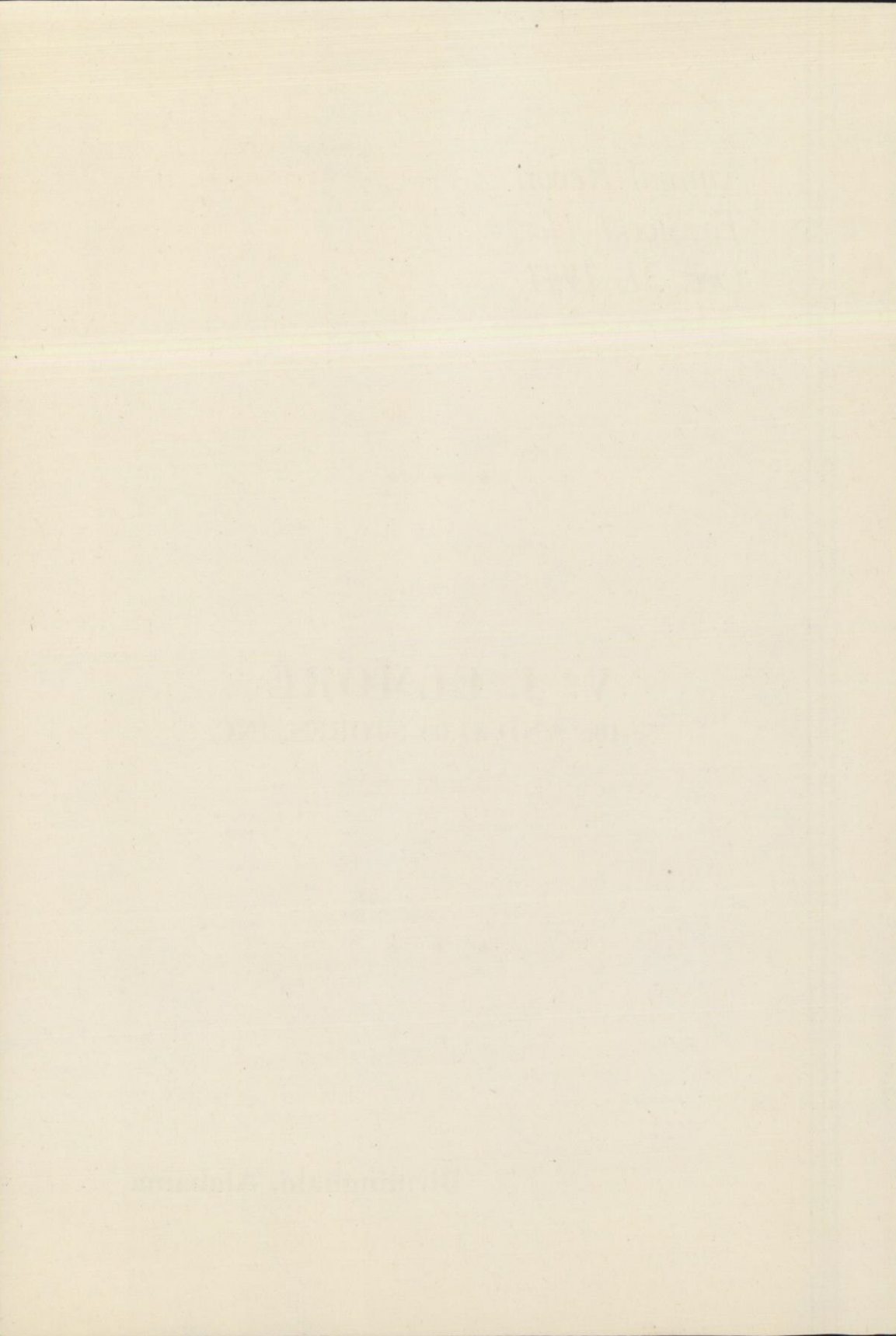
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V. J. ELMORE
5c-10c AND \$1.00 STORES, INC.

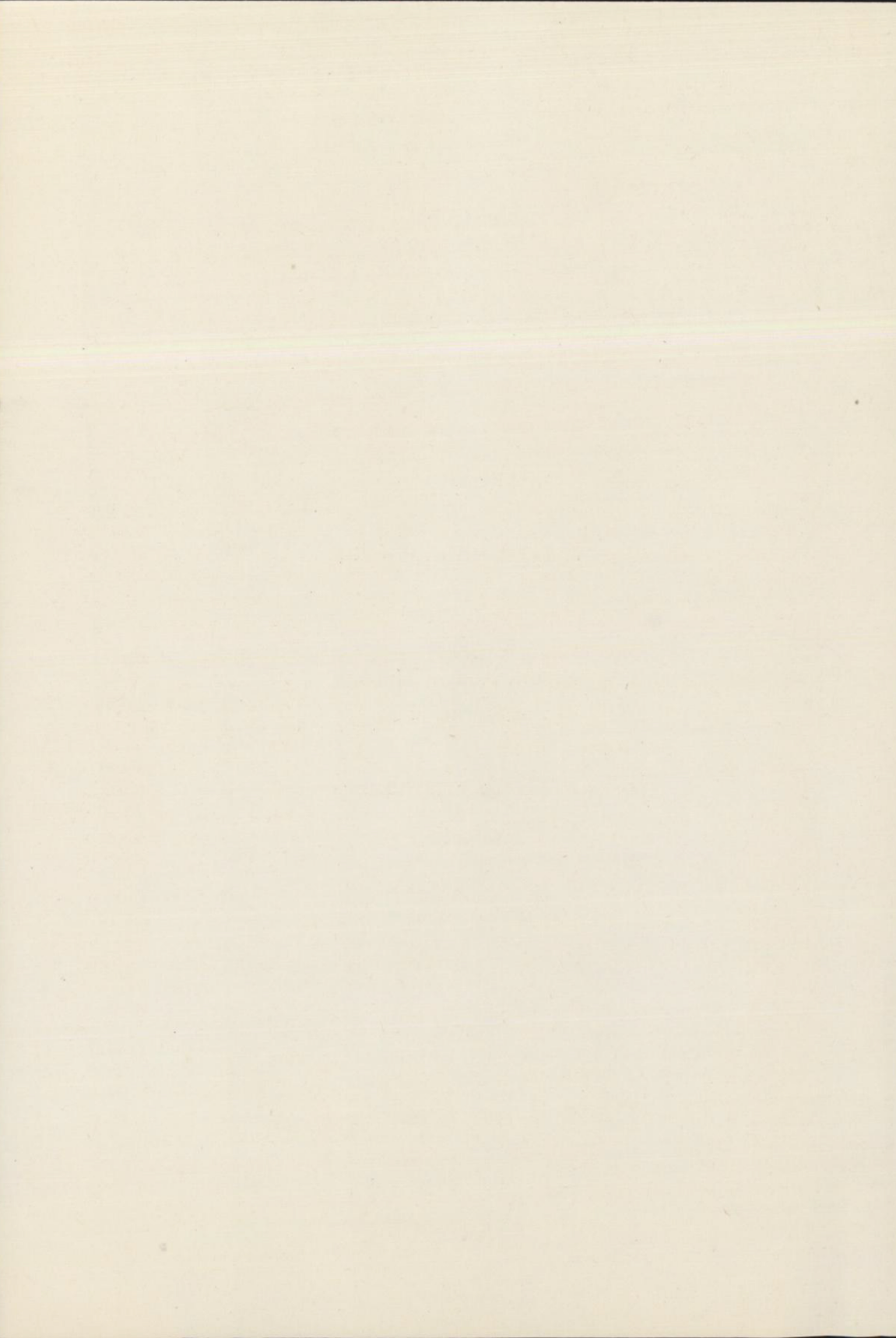
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Birmingham, Alabama



Report of
V. J. ELMORE, President
at the
Eighth Annual Meeting
of Stockholders

February 18, 1942



February 18, 1942

TO THE STOCKHOLDERS

The results of operation for the year 1941 as shown in the condensed Profit & Loss Statement contained in this report evidenced continued substantial growth. Sales of \$2,198,361.16 for the year 1941 are approximately \$700,000.00 greater than 1940, an increase of 47%. While sales throughout the country have been increasing generally, this increase is far above the average. A part of the increase is due to the addition of seven stores and the enlargement of three stores during the year. A large part of the increase came through the old stores partly due to generally improved business conditions, but largely resulting from moving the Executive and Buying Offices and Warehouse to larger improved and more conveniently located quarters in Birmingham. This improved location places us in better position to operate the business under existing world conditions, as well as being ready to continue expansion when and as conditions justify.

Net Profit before income tax of \$186,279.60 as compared with the preceding year of \$96,122.20 reflects an increase of approximately \$90,000.00. Income Taxes of \$83,500.00 as compared with \$26,400.00 for the preceding year are \$57,000.00 greater, leaving a net profit after income tax of \$103,711.61, which is \$34,000.00 greater than the preceding year. We consider the outlook for 1942 as favorable even though it is rather certain that taxes will be increased even further.

Dividends were paid during the year at the rate of \$5.00 and \$7.00 per share on First Preferred, \$10.00 per share on Class "A" Common, as compared with \$15.00 in 1940, and \$3.00 per share on Class "B" Common as compared with \$4.00 in 1940, a total of \$48,458.90 being paid to all classes of stock. The remaining \$55,000.00 was added to earned surplus, further improving working capital, which amounted to \$287,000.00 at December 31, 1941. The ratio of current assets to current liabilities at December 31, 1941 was 1.81 to 1, as compared with 1.98 to 1 at the end of the previous year. The decrease in current ratio was due principally to the fact that it was found advisable to increase inventories some \$300,000.00 over the preceding year. This heavy inventory position will be eased by sales for the first quarter of 1942, and the current position will then be returned to normal.

The grim reality of active participation in a world-wide war, with the prospect that victory can only come after arduous painful months, and perhaps years, brings the realization that "for the duration" all considerations must be subordinate to the military necessities of our nation. Present indications are that, while we will not be able to secure many items formerly carried, as a whole we will be able to obtain a sufficient quantity of merchandise, together with our present heavy inventories, to meet the needs of our customers. The advantage of present heavy inventories is reflected in a 51% increase in sales for the first period's operation of 1942, even though the Athens, Alabama store was out of operation due to two fires, one of which occurred in late December and the other in early January. The property destroyed was fully covered by insurance and the store has been reopened in a temporary location in which it will continue to operate until the former location can be rebuilt and new fixtures installed.

In 1941 property was leased, fixtures purchased and plans completed for the opening

of a new store in Fairfield, Alabama, early in 1942. This store is now in operation. Plans were also completed for enlarging the stores at Clayton, Hartselle and Samson, Alabama. The Samson job has been completed and Hartselle is now under construction with Clayton to be completed in the near future.

Three of our Company's employees are on leave of absence in the military service of their country. The names of these three men are listed below—not in the order of their military rank, nor in the order of their position with the Company, but in alphabetical order, for patriotism knows no rank or file.

Private Otho O. Fowler,
36th Infantry Training Battalion,
Camp Croft, South Carolina.

Lieutenant Geo. F. Parr,
Camp Wallace,
Galveston, Texas.

Private Adell Thornton,
205th Military Police Company,
Camp Beauregard, La.

We honor the men listed above who represent us in the armed forces of our nation and I know that you as stockholders join us in praying for and looking forward to the time when they can resume their duties with the Company.

In closing I wish to express my genuine appreciation for the loyal support and cooperation of the directors and all employees. I think the Balance Sheet and condensed Profit and Loss Statement, incorporated in this report, clearly reflect the kind of job they have done.

Respectfully submitted,

V. J. Elmore,
President.

ERNST & ERNST
Accountants and Auditors
System Service
BIRMINGHAM

February 12, 1942.

Board of Directors
V. J. Elmore 5c, 10c and \$1.00 Stores, Inc.
Birmingham, Alabama.

We have examined the balance sheet of V. J. Elmore 5c, 10c and \$1.00 Stores, Inc. as of December 31, 1941, and the statements of profit and loss and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the Company and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary, including observation of procedures followed by the Company in ascertaining inventory quantities at the warehouse located in Birmingham, Alabama, but we did not have representatives present at the time physical inventories were being taken at the forty-three retail stores operated by the Company.

Inventories of merchandise on hand at retail stores and at warehouse are based upon actual physical count made under the supervision of the management during the period from December 26, to December 31, 1941, and adjusted for intervening transactions to December 31, 1941. In the pricing of the inventories, the Company has consistently used the basis of the lower of cost or market, determined for merchandise at the stores at the retail price less accumulated store mark-up and for that at the warehouse at cost, according to the first-in, first-out method, or at replacement price, where the market is less than cost. As a further test of the correctness of the inventories we tested prices, extensions and footings and reviewed the computation of the mark-up percentage. The existence of inventories at five of the seven new stores opened during the year was established by inspection by our representatives.

In our opinion, the accompanying balance sheet and related statements of profit and loss and surplus present fairly the position of V. J. Elmore 5c, 10c and \$1.00 Stores, Inc., at December 31, 1941, and the results of its operations for the year in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST.

ASSETS

CURRENT ASSETS

Cash:

Demand deposits	\$ 49,970.21	
For deposit	2,589.96	\$ 52,560.17
Office and store cash funds		5,808.31 \$ 58,368.48

Merchandise inventories:

At stores—priced at retail less accumulated store mark-up		\$416,375.09
In warehouse—priced at the lower of cost or market	156,147.97	
In transit—priced at cost	2,054.25	574,577.31

Account receivable:

United Mutual Fire Insurance Company for fire loss		10,060.32
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TOTAL CURRENT ASSETS \$643,006.11

OTHER ASSETS

Cash surrender value of life insurance	\$ 21,692.25	
Accounts receivable from employees for stock sold	2,553.59	24,245.84

FIXTURES, EQUIPMENT AND IMPROVEMENTS TO LEASEHOLDS

Fixtures and equipment—at cost:

Stores	\$311,951.02	
Warehouse	5,806.74	
	\$317,757.76	
General office equipment—at cost	24,899.47	
Automobiles—at cost	3,487.71	\$346,144.94
Less reserves for depreciation		105,502.74
		\$240,642.20
Improvements to leaseholds—at cost	\$130,530.64	
Less reserves for amortization	44,694.47	85,836.17
		\$326,478.37
Construction in progress—fixtures		1,603.94 328,082.31

LAND AND BUILDING (Mortgaged)

Land—at cost		\$ 30,392.75
Warehouse and office building—at cost	\$ 78,411.68	
Less reserve for depreciation	2,178.10	76,233.58 106,626.33

DEFERRED CHARGES

Unamortized loan expense	\$ 1,252.41	
Warehouse inventory of store supplies	904.60	
Prepaid rent	845.00	
Prepaid interest	764.30	3,766.31

\$1,105,726.90

SHEET
AND \$1.00 STORES, INC.
31, 1941

LIABILITIES

CURRENT LIABILITIES

Notes payable to banks:

Current loans	\$100,000.00	
Current maturities of installment loans	41,800.00	\$141,800.00

Accounts payable:

Trade accounts	\$ 52,541.93	
Salaries and adjusted compensation	52,065.56	
Sales and retailers excise taxes	12,819.68	
Pay roll taxes	5,610.43	
Rent	561.88	123,599.48

Accrued federal capital stock tax

3,000.00

Federal and state taxes on income of the
year ended December 31, 1941—
estimated

83,500.00

Installment of mortgage loan—due

April 1, 1942

4,000.00

TOTAL CURRENT LIABILITIES

\$355,899.48

DEFERRED LIABILITIES

First mortgage 4½% loans on land and
building, payable annually beginning
April 1, 1942, \$4,000, \$5,000 and
\$6,000, respectively, for first three
years, \$7,000 for next six years and
\$12,000 in 1951

\$ 69,000.00

Less installment due April 1, 1942

4,000.00

\$ 65,000.00

Installment loans maturing after 1942:

Due \$25,000 annually through 1947

\$125,000.00

Due monthly in 1943

9,675.00

134,675.00

199,675.00

CAPITAL STOCK AND SURPLUS

Capital stock—Note A:

First preferred stock, par value
\$100.00 per share (entitled to \$100.-
00 per share plus accumulated divi-
dends upon liquidation):

Authorized 4,000 shares; issued
and outstanding:

798 shares of 7% cumulative

\$ 79,800.00

1,326 shares of 5% cumulative

132,600.00

\$212,400.00

Common stock, Class "B"—no par
value, stated value \$16 2/3 per
share, dividends of \$1.00 per annum
cumulative, preferred over other
common stock only as to dividends:

Authorized and outstanding 6,000
shares

100,000.00

Common stock, Class "A"—no par
value, stated value \$16 2/3 per
share; 2,500 shares authorized,
409¾ shares restricted for issue
upon exercise of Class "A" warrants
(Note B); issued and outstanding
1,973½ shares

32,891.67

\$345,291.67

Surplus:

Capital surplus

\$ 10,178.41

Earned surplus

194,682.34

204,860.75

550,152.42

\$1,105,726.90

See notes on following page.

NOTES TO BALANCE SHEET

V. J. ELMORE 5c, 10c AND \$1.00 STORES, INC.

December 31, 1941

Note A—Cumulative preference dividends on first preferred and Class "B" common stock have been paid to January 1, 1942.

Note B—At December 31, 1941, there were 1,000 Class "A" warrants authorized to be sold as part of units with first preferred stock and thereafter to be exercised in the purchase of Class "A" common stock. Class "A" warrants issued in units with 7% first preferred stock are to be exercised in the purchase of Class "A" common stock for \$100.00 per share; Class "A" warrants issued in units with 5% first preferred stock are to be exercised in the purchase of Class "A" common stock for \$25.00 per share. 590¼ warrants have been issued, of which 532 warrants have been exercised in the purchase of Class "A" common stock and the remaining 58¼ issued warrants are outstanding. No voting power is granted to the holders of these warrants.

CONDENSED PROFIT AND LOSS STATEMENT
V. J. ELMORE 5c, 10c AND \$1.00 STORES, INC.
Years ended December 31, 1941, and December 31, 1940

	YEAR	
	1941	1940
Net sales	\$2,198,361.16	\$1,499,683.24
Cost of goods sold	1,440,678.33	1,017,593.94
GROSS PROFIT	\$ 757,682.83	\$ 482,089.30
Selling and administrative expense	570,125.16	375,085.34
OPERATING PROFIT	\$ 187,557.67	\$ 107,003.96
Other income	22,967.63	1,097.80
	\$ 210,525.30	\$ 108,101.76
Other deductions	24,245.70	11,979.56
NET PROFIT BEFORE TAXES ON INCOME	\$ 186,279.60	\$ 96,122.20
Taxes on income:		
Provision for the year—estimated:		
Federal normal income tax and surtax	\$ 48,800.00	\$ 24,200.00
Federal excess profits tax	31,200.00	-0-
State income tax	3,500.00	2,400.00
Overprovision (*) for prior year	* 932.01	* 186.59
	\$ 82,567.99	\$ 26,413.41
NET PROFIT	\$ 103,711.61	\$ 69,708.79

SURPLUS

	Capital	Earned	Total
Balance at January 1, 1941	\$ 9,324.25	\$139,163.25	\$148,487.50
ADDITIONS			
Net profit for the year	-0-	103,711.61	103,711.61
Excess of proceeds from sale of Class "A" common stock over stated value thereof	1,310.42	-0-	1,310.42
Dividends previously credited to employees' stock purchase accounts, forfeited upon cancellation of stock	-0-	266.38	266.38
	\$10,634.67	\$243,141.24	\$253,775.91
DEDUCTIONS			
Cash dividends paid	\$ -0-	\$ 48,458.90	\$ 48,458.90
Excess of cost of Class "A" common stock purchased over stated value thereof	16.67	-0-	16.67
Capital surplus applicable to stock sold to employees which was canceled during the year	439.59	-0-	439.59
	\$ 456.26	\$ 48,458.90	\$ 48,915.16
Balance at December 31, 1941	\$10,178.41	\$194,682.34	\$204,860.75

OFFICERS

V. J. ELMORE
President & Treasurer

O. M. WEBB
Executive Vice-President

W. I. SMITH
Vice-Pres., Merchandising

*G. F. PARR
Vice-Pres., & Asst. Treas.

JOHN W. POWERS, JR.
Vice-President, Real Estate

W. A. WILLIS, JR.
Secretary

E. N. HESTER
Asst. Vice-President, Sales

DIRECTORS

V. J. ELMORE
President & Treasurer
Birmingham, Alabama

O. M. WEBB
Executive Vice-President
Birmingham, Alabama

JOHN W. POWERS, JR.
Vice-Pres., Real Estate
Birmingham, Alabama

E. N. HESTER
Asst. Vice-Pres., Sales
Birmingham, Alabama

GRADY REYNOLDS
Reynolds & Reynolds, Attys.
Clanton, Alabama

W. I. SMITH
Vice-Pres., Merchandising
Birmingham, Alabama

*G. F. PARR
Vice-Pres., & Asst. Treas.
Galveston, Texas

W. A. WILLIS, JR.
Secretary
Birmingham, Alabama

*Absent on leave in the armed services of our country.

V. J. ELMORE 5c, 10c & \$1.00 STORES, INC.
Executive and Buying Offices
And Warehouse
Birmingham, Alabama

STORES

Andalusia, Alabama	Greensboro, Alabama
Aberdeen, Mississippi	Greenville, Alabama
Alabama City, Alabama	Guntersville, Alabama
Albertville, Alabama	Haleyville, Alabama
Alexander City, Alabama	Hartselle, Alabama
Amory, Mississippi	Jasper, Alabama
Athens, Alabama	Marion, Alabama
Atmore, Alabama	Monroeville, Alabama
Bay Minette, Alabama	North Birmingham, Alabama
Boaz, Alabama	Oneonta, Alabama
Brewton, Alabama	Opp, Alabama
Brundidge, Alabama	Prattville, Alabama
Clanton, Alabama	Russellville, Alabama
Clayton, Alabama	Samson, Alabama
Demopolis, Alabama	Scottsboro, Alabama
Decatur, Alabama	Sylacauga, Alabama
Eufaula, Alabama	Talladega, Alabama
Eutaw, Alabama	Troy, Alabama
Evergreen, Alabama	Tuscumbia, Alabama
Fayette, Alabama	Tuskegee, Alabama
Fort Payne, Alabama	Union Springs, Alabama
Fairfield, Alabama	Wetumpka, Alabama

